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# Statements on responsibilities in tax practice. Revised February 1969

American Institute of Certified Public Accountants. Committee on Federal Taxation

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# STATEMENTS ON RESPONSIBILITIES IN TAX PRACTICE

REVISED FEBRUARY 1969

## *Introduction*

### *I. The Program*

The program contemplates publication of a numbered series of Statements on Responsibilities in Tax Practice by the Institute's Division of Federal Taxation.

### *II. The Significance of Statements*

The series of statements is intended to constitute a body of advisory opinion on what are good standards of tax practice, delineating the extent of a CPA's responsibility to his client, the public, the Government and his profession. Each statement will cover a particular aspect of tax practice. In addition to a consideration of the legal requirements of the taxing authority (applicable to all tax practitioners) the statements will present the Division's opinions of what it considers to be appropriate standards of responsibility in tax practice.

### *III. The Objectives*

The principal objectives of the program are:

(a) To identify and develop appropriate standards of responsibilities in tax practice and to promote their uniform application by CPAs;

*Issued by the Division of Federal Taxation of the  
American Institute of Certified Public Accountants*

(b) To encourage the development of increased understanding of the responsibilities of the CPA by the Treasury Department and the Internal Revenue Service and to urge their officials to promote the application of commensurate standards of responsibility by their personnel;

(c) To foster increased public compliance with and confidence in our tax system through awareness of the standards of conduct accepted by CPAs and of reciprocal measures adopted by the Treasury Department and the Internal Revenue Service.

#### *IV. The Program In Perspective*

Although the CPA has no separate written statement of standards of conduct relating solely to tax practice, he has available a number of guides to assist him in determining his responsibilities. He is guided by the statutes, regulations and rules governing practice before the Internal Revenue Service (Treasury Department Circular No. 230 Revised) and the Institute's Code of Professional Ethics, which requires the observance of high moral and ethical standards. However, the principles the CPA observes in tax practice require separate articulation and interpretation to avoid any misunderstanding which taxpayers or the Government may have regarding the extent of the CPA's responsibilities.

Studies conducted by the Division have revealed that there are a number of unwritten standards which have general acceptance among Institute members and can serve as a foundation upon which to develop the statement on responsibilities.

The CPA's Code of Professional Ethics requires attitudes and habits of truthfulness and integrity in all of his practice, including his tax practice. It should be evident that there is no intention to apply to tax practice those rules of professional conduct which relate only to examinations of financial statements. Opinion No. 13 of the committee on professional ethics states:

"It is the opinion of the committee that the Code of Professional Ethics applies to the tax practice of members and associates except for Article 2, relating to technical standards, and any other sections of the Code which relate only to examinations of financial statements requiring opinions or disclaimers.

"The committee is of the opinion that the statement, affidavit

or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer within the meaning of Article 2 of the Code.

“In tax practice, a member or associate must observe the same standards of truthfulness and integrity as he is required to observe in any other professional work. This does not mean, however, that a member or associate may not resolve doubt in favor of his client as long as there is reasonable support for his position.”

The statements are not intended to establish a separate code of conduct in tax practice, apart from the general ethical precepts of the Institute's Code of Professional Ethics. That Code imposes upon members and associates obligations to maintain high standards of technical competence and integrity in dealing with clients and the public. These obligations apply in all phases of the professional activities of members and associates, including tax practice.

In this environment the Division concludes that while the Code of Professional Ethics is a major factor in molding the CPA's professional behavior, it is in the public interest and in the self-interest of the CPA to develop separate statements of recommended standards of responsibility in tax practice for the guidance of taxpayers and CPAs alike.

## *V. The Scope and Effect of the Statements*

The statements generally will be confined to discussions in the context of the considerations governing Federal tax practice, including the preparation of tax returns. The Division may consider application of the statements to practice in other jurisdictions when appropriate.

The primary effect of the program will be educational. The Division acknowledges that the statements will not have the force of authority as, for example, the rules contained in Treasury Circular 230. Statements containing standards of responsibility which are more restrictive than those established by the Treasury Department or by the Code of Professional Ethics depend for their authority upon the general acceptability of the opinions expressed. The statements are not intended to be retroactive.

## *VI. The Division's Authority*

By resolution of Council, the Division of Federal Taxation is authorized to express opinions on matters of broad policy related to Federal taxation. No other division or committee is authorized to express such opinions.

## *VII. The Procedures*

The statements will present the opinion of at least two-thirds of the members of the committee on responsibilities in tax practice and two-thirds of the executive group of the Division of Federal Taxation.

Drafts of the proposed statements will be given appropriate exposure before the executive group of the Division reaches a decision.